

HEARTLAND COUNSELING SERVICES, INC.

JUNE 30, 2018

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HEARTLAND COUNSELING SERVICES, INC.
FINANCIAL HIGHLIGHTS

June 30,	2018	2017	2016	2015	2014
Revenues, Gains, and Other Support:					
Client Service Fees	\$ 628,966	\$ 569,245	\$ 504,304	\$ 601,703	\$ 484,519
Less Bad Debts				(3,165)	(13,220)
	<u>628,966</u>	<u>569,245</u>	<u>504,304</u>	<u>598,538</u>	<u>471,299</u>
Government Funding	955,734	1,006,185	1,023,030	1,006,920	1,097,643
Special Events (Net of Costs)	10,280	13,751	12,176	12,626	6,877
Other	70,841	41,692	46,249	43,595	49,436
	<u>1,665,821</u>	<u>1,630,873</u>	<u>1,585,759</u>	<u>1,661,679</u>	<u>1,625,255</u>
Expenses:					
Program Services	1,519,036	1,332,753	1,261,214	1,425,557	1,476,521
General and Administrative	198,112	290,658	269,460	240,721	290,247
	<u>1,717,148</u>	<u>1,623,411</u>	<u>1,530,674</u>	<u>1,666,278</u>	<u>1,766,768</u>
Change in Net Assets	(51,327)	7,462	55,085	(4,599)	(141,513)
Cash	4,801	40,707	18,591	11,329	36,816
Due from Region IV Mental Health Services District	96,872	111,764	144,955	97,795	100,979
Client and Other Receivables:					
Client Receivables	58,612	52,069	27,903	47,787	149,841
Allowance for Doubtful Accounts	(2,972)	(1,953)	(1,856)	(3,915)	(118,174)
	<u>55,640</u>	<u>50,116</u>	<u>26,047</u>	<u>43,872</u>	<u>31,667</u>
Net Assets:					
Unrestricted:					
Undesignated	(43,242)	17,681	28,825	(19,502)	(37,926)
Investment in Equipment	65,303	55,707	37,101	30,343	53,366
	<u>22,061</u>	<u>73,388</u>	<u>65,926</u>	<u>10,841</u>	<u>15,440</u>

INDEPENDENT AUDITOR'S REPORT

Nichols, Rise & Company, L.L.P.

Certified Public Accountants and Consultants

Board of Directors
Heartland Counseling Services, Inc.
South Sioux City, Nebraska

Report on the Financial Statements

We have audited the accompanying statements of Heartland Counseling Services, Inc., which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Heartland Counseling Services, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The financial highlights on page 2 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited Heartland Counseling Services, Inc.'s financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 7, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the statement of financial position of Heartland Counseling Services, Inc. as of June 30, 2014 through 2016, and the related statements of activities, cash flows, and functional expenses for each of the three years ended June 30, 2016 (none of which is presented herein), and we expressed unmodified opinions on those financial statements. Those audits were conducted for purposes of forming an opinion on the financial statements as a whole. The financial highlights for 2014 through 2016 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 through 2017 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the financial highlights for 2014 through 2017 are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.

Nichols, Rise & Company, L.L.P.

Sioux City, Iowa
October 10, 2018

HEARTLAND COUNSELING SERVICES, INC.
STATEMENT OF FINANCIAL POSITION

June 30, 2018
 With Summarized Financial Information for June 30, 2017

	2018	2017
ASSETS		
Current Assets:		
Cash.....	\$ 4,801	\$ 40,707
Due from Region IV Mental Health Services District.....	96,872	111,764
Client Receivables, Net.....	55,640	50,116
Prepaid License Fees.....	70,050	
Prepaid Insurance.....	16,903	12,688
	<u>244,266</u>	<u>215,275</u>
Vehicles and Equipment, at Cost	247,969	218,419
Less Accumulated Depreciation.....	182,666	162,712
	<u>65,303</u>	<u>55,707</u>
 Total Assets	 <u>\$ 309,569</u>	 <u>\$ 270,982</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Line of Credit.....	\$ 15,009	\$
Current Portion of Long-Term Debt.....	28,339	8,386
Accounts Payable.....	49,693	43,137
Payroll Taxes and Accrued Expenses.....	131,905	130,706
	<u>224,946</u>	<u>182,229</u>
 Long-Term Debt	 62,562	 15,365
Net Assets:		
Unrestricted:		
Undesignated.....	(43,242)	17,681
Investment in Equipment.....	65,303	55,707
	<u>22,061</u>	<u>73,388</u>
 Total Liabilities and Net Assets	 <u>\$ 309,569</u>	 <u>\$ 270,982</u>

HEARTLAND COUNSELING SERVICES, INC.
STATEMENT OF ACTIVITIES

Year Ended June 30, 2018
 With Summarized Financial Information for the Year Ended June 30, 2017

	Totals	
	2018	2017
Revenues, Gains, and Other Support:		
Governmental Funding.....	\$ 955,734	\$ 1,006,185
Client Service Fees.....	628,966	569,245
Educational Outreach and Workshops.....	29,888	23,556
Donations.....	6,565	9,824
Grants.....	17,974	
Special Events (Net of Costs).....	10,280	13,751
Gain on Disposal of Vehicle.....		3,000
Insurance Proceeds.....	10,083	
Miscellaneous.....	6,331	5,312
Total Revenues, Gains, and Other Support	1,665,821	1,630,873
Expenses:		
Program Services:		
Mental Health.....	584,279	478,049
Community Support.....	156,713	112,446
Crisis Response.....	136,193	212,189
Day Rehab.....	105,154	90,629
Substance Abuse.....	261,157	228,925
IOP.....	55,220	47,284
Special Services.....	220,320	163,231
	1,519,036	1,332,753
General and Administrative.....	198,112	290,658
Total Expenses	1,717,148	1,623,411
Change in Net Assets	(51,327)	7,462
Net Assets, Beginning of Year.....	73,388	65,926
Net Assets, End of Year	\$ 22,061	\$ 73,388

HEARTLAND COUNSELING SERVICES, INC.
STATEMENT OF CASH FLOWS

Year Ended June 30, 2018

With Summarized Financial Information for the Year Ended June 30, 2017

	2018	2017
Cash Flows from Operating Activities:		
Cash Received:		
Governmental Funding.....	\$ 970,626	\$ 1,039,376
Client Service Fees.....	623,442	545,176
Educational Outreach and Workshops.....	29,888	23,556
Miscellaneous.....	51,233	28,887
	<u>1,675,189</u>	<u>1,636,995</u>
Cash Disbursed:		
Cash Paid to Suppliers and Employees.....	<u>1,693,654</u>	<u>1,606,215</u>
Net Cash Provided (Used) by Operating Activities.....	(18,465)	30,780
Cash Flows from Investing Activities:		
Proceeds from Disposal of Vehicle.....		3,000
Purchase of Equipment.....	<u>(18,936)</u>	<u>(6,000)</u>
Net Cash Used by Investing Activities.....	(18,936)	(3,000)
Cash Flows from Financing Activities:		
Short-Term Borrowings, Net.....	15,009	(5,664)
Payments on Long-Term Borrowings.....	<u>(13,514)</u>	<u> </u>
Net Cash Provided (Used) by Financing Activities.....	1,495	(5,664)
Net Increase (Decrease) in Cash.....	(35,906)	22,116
Cash, Beginning of Year.....	<u>40,707</u>	<u>18,591</u>
Cash, End of Year	\$ <u>4,801</u>	\$ <u>40,707</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in Net Assets.....	\$ (51,327)	\$ 7,462
Adjustments to Reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities:		
Depreciation.....	19,954	11,694
Gain on Disposal of Vehicle.....		(3,000)
Changes in Operating Assets and Liabilities:		
Receivables.....	9,368	9,122
Prepaid Expenses.....	(4,215)	30,729
Accounts Payable.....	6,556	(27,964)
Payroll Taxes and Accrued Expenses.....	<u>1,199</u>	<u>2,737</u>
Net Cash Provided (Used) by Operating Activities	\$ <u>(18,465)</u>	\$ <u>30,780</u>
Non-Cash Transactions:		
Fixed Assets Purchased with Loans.....	\$ 10,614	\$ 24,300
Software Licenses Purchased with Loans.....	70,050	

See accompanying notes

HEARTLAND COUNSELING SERVICES, INC.
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2018

With Summarized Financial Information for the Year Ended June 30, 2017

	Program Services							General and Adminis- trative	Total	
	Mental Health	Community Support	Crisis Response	Day Rehab	Substance Abuse	IOP	Special Services		2018	2017
Salaries.....	\$ 433,020	\$ 110,204	\$ 90,921	\$ 56,109	\$ 202,797	\$ 40,342	\$ 154,077	\$ 147,893	\$ 1,235,363	\$ 1,085,991
Payroll Taxes, Etc.....	30,628	7,707	7,155	3,759	14,366	2,919	10,138	12,059	88,731	78,623
Employee Health.....	19,819	2,811	1,254	1,905	5,046	611	4,489	3,928	39,863	51,289
Total Salaries and Related Expenses	483,467	120,722	99,330	61,773	222,209	43,872	168,704	163,880	1,363,957	1,215,903
Professional Fees and Contract Services.....	15,021	1,031	915	252	1,730	203	900	1,469	21,521	25,227
Specific Assistance to Individuals.....		5,922	4,075	2,519					12,516	28,994
Class Expense.....			10,600				7,600		18,200	25,604
Supplies.....	6,341	1,951	900	1,749	4,924	2,612	6,021	3,990	28,488	28,916
Telephone.....	3,681	1,563	2,518	833	2,470	236	2,858	696	14,855	21,857
Postage and Shipping.....	1,664	469	381	121	534	89	344	467	4,069	4,144
Rent.....	26,937	7,936	5,888	25,547	12,510	2,623	14,062	9,759	105,262	103,458
Utilities.....	6,332	1,930	1,411	922	3,154	672	3,584	2,409	20,414	20,936
Insurance.....	8,073	2,363	2,097	578	2,246	465	2,061	3,366	21,249	22,266
Repairs and Maintenance.....	12,830	3,159	2,572	1,408	4,957	1,006	5,257	3,241	34,430	39,456
License and Accreditation.....	266	78	69	19	74	15	68	111	700	673
Conferences, Conventions, and Meetings.....	988	607	173	207	304	91	276	704	3,350	576
Travel.....	2,264	3,857	1,363	4,778	476	2,216	4,579	4,034	23,567	27,992
Advertising.....	7,719	2,579	1,642	1,994	3,150	619	1,785	360	19,848	44,103
Interest.....	1,116	327	290	80	310	64	285	465	2,937	1,612
Miscellaneous.....				1,831					1,831	0
Total Expenses Before Depreciation	576,699	154,494	134,224	104,611	259,048	54,783	218,384	194,951	1,697,194	1,611,717
Depreciation.....	7,580	2,219	1,969	543	2,109	437	1,936	3,161	19,954	11,694
Total Expenses	\$ 584,279	\$ 156,713	\$ 136,193	\$ 105,154	\$ 261,157	\$ 55,220	\$ 220,320	\$ 198,112	\$ 1,717,148	\$ 1,623,411

NOTES TO FINANCIAL STATEMENTS

ORGANIZATION

Heartland Counseling Services, Inc. (referred to as the "Agency") is a nonprofit corporation organized to provide mental health and substance abuse services for residents of Dakota, Dixon, Thurston, Wayne, Rock, Brown, Boyd, Holt, Keya Peha, Cherry, and Burt Counties of Nebraska.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and activities are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and activities are classified as follows:

Unrestricted - Not subject to donor-imposed stipulations.

Temporarily Restricted - Subject to donor-imposed stipulations that will be met, either by actions of the Agency and/or the passage of time.

Governmental Funding

Governmental Funding is a combination of third-party pay for services and reimbursement of expenses. The reimbursement of expenses is subject to audit and retroactive adjustments. Differences between the estimated amounts accrued and final settlements are reported in the year of the settlement.

Receivables

Client receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts, historical trends, and other information. Balances that are still outstanding after management used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to client receivables.

Equipment

Equipment is recorded at cost or estimated fair value if donated. Depreciation is provided using the straight-line method over the estimated useful life of the assets.

Allocation of Expenses

The cost of providing program and supporting services has been summarized on a functional basis in the statement of functional expenses. Accordingly, costs have been allocated to the program and support services benefited.

Use of Estimates

The financial statements are prepared in conformity with generally accepted accounting principles and, accordingly, include amounts that are based on management's estimates and judgments.

CLIENT RECEIVABLES

Client Receivables.....	\$	58,612
Allowance for Doubtful Accounts.....		<u>(2,972)</u>
	\$	<u>55,640</u>

VEHICLES AND EQUIPMENT

	<u>Useful Lives</u>	
Vehicle.....	5 years	\$ 110,557
Equipment.....	5 years	<u>137,412</u>
		247,969
Accumulated Depreciation.....		<u>182,666</u>
Book Value		<u>\$ 65,303</u>

LINE OF CREDIT

The Agency has a line of credit with Siouxland National Bank in the amount of \$25,100. The agreement provides for interest at 6%, is secured by the Agency's accounts receivable and is due on demand. The unused balance of the line was \$10,091 at June 30, 2018.

LONG-TERM DEBT

<u>Secured by</u>	<u>Interest Rate</u>	<u>Monthly Payment</u>	<u>Final Payment</u>	<u>Balance</u>
Vehicles.....	6.00%	\$ 800	March 2020	\$ 15,365
Vehicles.....	6.00%	323	September 2020	8,138
Software License.....	0.00%	1,060	April 2023	61,480
Software License.....	0.00%	269	April 2020	<u>5,918</u>
				90,901
Less Current Portion.....				<u>28,339</u>
Long-Term Portion				<u>\$ 62,562</u>

Current maturities of long-term debt are as follows:

2019.....	\$ 28,339
2020.....	25,562
2021.....	13,680
2022.....	12,720
2023.....	10,600

CLIENT SERVICE FEES

The Agency receives most of its client service fees from third-party payers such as insurance carriers, Medicare, and Medicaid. The amount of funding is determined on a unit served basis.

INCOME TAXES

Heartland Counseling Services, Inc. is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and is not a private foundation.

OPERATING LEASES

	Lease Expiration	Monthly Payment
South Sioux City, Nebraska.....	Month-to-Month	\$ 6,807
O'Neill, Nebraska.....	Month-to-Month	600
Valentine, Nebraska.....	Month-to-Month	250

Rent expense for the year ended June 30, 2018, was \$105,262.

SUMMARIZED FINANCIAL INFORMATION FOR 2017

The financial statements include certain prior-year summarized financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

SUBSEQUENT EVENT

Subsequent events have been evaluated through October 10, 2018, the date the statements are available to be issued.